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SENSITIVE
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IO FOR ANDERSON, ABRAHAMS, CONNER, HUSKEY, DETEMPLE; ISN
FOR JENKINS, DOE FOR NA-24, NA-25, NA-21; NSC FOR
SCHEINMAN, HOLGATE, CONNERY; NRC FOR DOANE, SCHWARTZMAN

E.O. 12958: N/A
TAGS: [AORC](#) [PREL](#) [KNNP](#) [IAEA](#) [UN](#)
SUBJECT: IAEA BUDGET: DEPUTY DG SHARES VIEWS

REF: UNVIE 491

¶1. (SBU) Summary: IAEA Deputy Director General David Waller contributed his views on the 2011 budget process, focusing on issues of sequencing, financing capital investments, and building alliances among G8 countries. Waller described DG ElBaradei's recent meetings in Washington as "very positive," and noted the IAEA's strong message on resources with the Senate Foreign Relations Committee and others. Waller felt strongly that close coordination between the IAEA and USG on budget strategy had been lacking from previous debates, but would be key to future budget increases. Waller hoped that high-level U.S. commitment to resourcing the IAEA would be expressed in global venues, particularly the Nuclear Security Summit in April and meetings of the G8. DCM underlined the need to seize the opportunity of DG Amano's arrival to set a new tone on management reform. Waller said Amano is already emphasizing economy. End Summary.

¶2. (SBU) IAEA Deputy Director General David Waller shared his thoughts on the 2011 budget and newly established Budget Working Group (BWG) in a meeting with DCM November 6. Factors that would alter the normal course of budgeting included DG-designate Amano's ascension in December and the outcome of BWG deliberations in January. Waller suggested that the BWG's activities could cancel the traditional "informal" meeting of the Program and Budget Committee (PBC) in February and possibly delay the "formal" PBC in May. Waller had assumed that regardless of the BWG's results, the Secretariat would use the previously-introduced figures for 2011 as the point of departure (which envision an 11.4 percent real increase). DCM warned Waller that many Geneva Group members had already dismissed the 2011 figures and expected to start with ZRG as the point of departure and counseled against the Secretariat's over-shooting as they did with the February 2009 proposal for a 22 percent increase (reftel). Waller agreed with us that early, high-level action would be required to keep the "budget hawks" from settling immediately into a zero growth position.

¶3. (SBU) Waller did not immediately embrace the Canadian idea of a "special assessment" to fund the Safeguards Analytical Laboratory, noting that most of the Secretariat-proposed increase of 11.4 percent real growth was already destined for SAL. DCM suggested that disaggregating SAL from the general budget debate through a special assessment or other mechanism might accomplish some strategic goals: 1) it would lower the 2010 proposal to a figure much closer to ZRG, thus reducing the "sticker shock" of the 11 percent figure; 2) it would give global leaders a tangible project which they could latch on to and champion (rather than the less compelling general proposition of a budget increase), 3) it would remove SAL

from the normal "tit-for-tat" budget negotiations in which the G-77 trades safeguards for technical cooperation. Waller promised to think over the proposal.

14. (SBU) Turning to other topics, Waller reported DG ElBaradei's positive encounters in Washington. Waller had recently accompanied DG ElBaradei to a meeting with members of the Senate Foreign Relations Committee, where the two enjoyed highly productive talks with Senator Lugar (R-Indiana), John Kerry (D-Massachusetts), Chris Dodd (D-Connecticut) and others. According to Waller, Senator Lugar recalled a previous visit to the IAEA's Seibersdorf Analytical Laboratory and its lamentable conditions, and expressed his interest in seeing it revived.

15. (SBU) Waller offered to reciprocate ElBaradei's positive exchanges in Washington with similar meetings in Vienna both now and with the advent of the new Amano administration. He especially urged improved coordination with Washington to ensure that U.S. goals for the 2011 budget were put forward at a high, strategic level early in the process. He encouraged use of G8 venues for budget talks, agreeing that Canadian and UK flexibility could be weighed against French and German obstinacy. He also agreed that the April Nuclear Security Summit could be leveraged to convince skeptics like Egypt and Pakistan to sign on to the idea that the IAEA required additional resources to fulfill its nuclear security mandate.

16. (SBU) Comment: Waller was surprised to learn that some Member States were already championing a zero growth position for the 2011 budget. He recognized immediately the need to loosen the budget hawks' positions through dialogue closer to the policy-making level than the IAEA Board Room (i.e., G8, Nuclear Security Summit). His tactical advice in addition to the substantive program and budget presentations he musters will be crucial to new DG Amano and us as we negotiate the 2011 budget and subsequent, longer-term planning documents. We will want to use Amano's arrival on December 1 to set a clear tone on both budget increases and further management efficiencies. End Comment.

DAVIES